



Prologue

This report consolidates the requirements for the U.S. Customs Service (Customs) to produce an Agency Accountability Report, consistent with the requirements of the Government Performance and Results Act of 1993 (GPRA), and an Annual Financial Report pursuant to the Chief Financial Officers Act of 1990 (CFO Act), as amended by the Government Management Reform Act of 1994 (GMRA). It also supports the U.S. Department of the Treasury (Treasury) requirement to produce a Departmentwide Accountability Report as required by GMRA.

This 1998 Accountability Report focuses on Customs mission accomplishments, presents financial management information, and represents ongoing efforts to streamline statutory reporting requirements while providing useful information to internal and external customers. Customs financial statements, located in the latter part of this report, provide the financial position and results of Customs operations, pursuant to the requirements of 31 U.S.C. §3515. While the statements have been prepared from Customs books and records in accordance with the formats prescribed by the Office of Management and Budget (OMB), the statements are supplemental to the financial reports used to monitor and control budgetary resources prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government. One implication of this is that unfunded liabilities cannot be liquidated without legislation that provides the resources to do so.

A Brief History

After declaring its independence in 1776, this struggling young nation found itself on the brink of bankruptcy. Responding to the urgent need for revenue, the First Congress passed, and President George Washington signed, the Tariff Act of July 4, 1789, which authorized the collection of duties on imported goods. It was called "the second Declaration of Independence" by the news media of that era. Four weeks later, on July 31, the fifth act of Congress established Customs and its ports of entry (POEs).

For nearly 125 years, Customs funded virtually the entire government, and paid for the nation's early growth and infrastructure. The territories of Louisiana and Oregon, Florida, and Alaska were purchased; the National Road from Cumberland, Maryland to Wheeling, West Virginia was constructed; and, the Transcontinental Railroad stretched from sea-to-sea. Customs collections built the nation's lighthouses; the U.S. military and naval academies; the City of Washington; and, the list goes on. The new nation that once teetered on the edge of bankruptcy was now solvent. By 1835, Customs revenues alone had reduced the national debt to zero!

Today, Customs is still a growing, major source of revenue for the Federal Government, returning over \$13 to the taxpayer for every dollar appropriated by Congress.

Did you know Customs was the parent or forerunner to many other agencies? In the early days, Customs officers administered military pensions (Department of Veterans Affairs); collected import and export statistics (Bureau of Census); and, supervised revenue cutters (U.S. Coast Guard). Customs also collected hospital dues to help sick and disabled seamen (Public Health Service); and, established standard weights and measures (National Bureau of Standards).